



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: August 28, 2025

TO: Kenneth Jackson
USAID/Deputy Administrator for Management and Resources

Douglas A. Pitkin
USAID/Acting Chief Financial Officer

FROM: David A. McNeil /s/
Director
External Financial Audits Division

SUBJECT: Audit of Incurred Costs for Management Systems International, Inc., for Fiscal Year Ended September 30, 2022 (3-000-25-017-I)

This memorandum transmits the final audit report on incurred costs submission (ICS) for Management Systems International, Inc., for the fiscal year (FY) ended September 30, 2022. The U.S. Agency for International Development (USAID) contracted with the independent certified public accounting firm of Tichenor & Associates, LLP, (Tichenor) to conduct the audit. Tichenor stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Tichenor is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Management Systems International, in its FY 2022 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

Tichenor's audit objectives were to: (1) determine whether all costs were included in the proposal to establish final indirect cost rates for fiscal year 2022 were allowable in accordance with the cost principles of the Federal Acquisition Regulation (FAR) and its supplements applicable to the contracts to which the final indirect cost rates applied; (2) ascertain that the proposal did not include any costs which are expressly unallowable under applicable cost principles of the FAR or its supplements; (3) examine Management Systems International's

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

compliance with the U.S. Government contract or award terms, and applicable Government acquisition regulations, specifically the FAR, the USAID acquisition regulations (AIDAR), 2 Code of Federal Regulations (CFR) 200 Uniform Administrative Requirements, Federal Travel Regulations and/or the Department of State Standard Travel Regulations (DSSR), and Buy-American Act for the Contracting Officer to execute the finalization of allowable contract costs and indirect rates for the fiscal year under review; and (4) examine Management Systems International's internal controls to determine the audit procedures appropriate in the circumstances for the purpose of expressing Tichenor's opinion on Management Systems International's assertion, but not for the purpose of expressing Tichenor's opinion on the effectiveness of Management Systems International's internal control. To answer the audit's objectives, Tichenor (1) reviewed Management Systems International's FY 2022 ICS and reconciled it to the general ledger; (2) reviewed applicable rules, regulations, and guidance; (3) reviewed Management Systems International's policies and procedures regarding claimed direct and indirect costs; (4) examined, on a test basis, evidence supporting the amounts and disclosures in Management Systems International's data and records evaluated; and (5) assessed the accounting principles used and significant estimates made by Management Systems International. Tichenor examined USAID's allowable costs of \$46,032,720 for FY 2022.

Tichenor concluded that Management Systems International prepared its FY 2022 ICS in accordance with applicable Government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs and is appropriate for the Contracting Officer's use in executing the finalization of allowable costs and indirect rates for the fiscal year under review. Tichenor did, however, report the following: (1) indirect questioned costs amounting to \$2,282,150 associated with the indirect general and administrative cost pool and indirect fringe benefits; (2) one internal control material weakness pertaining to the lack of documentation to support the basis of claimed self-insurance costs and approval; and (3) one significant deficiency pertaining to inadequate support for claimed corporate home office allocation cost. As a result of Tichenor's observations, we suggest that USAID determine the allowability of the \$2,282,150 in indirect questioned costs and recover any amount determined to be unallowable. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID determine whether Management Systems International addresses the issue.

To address the material weakness Tichenor reported, we recommend that USAID:

Recommendation 1. Verify that Management Systems International, Inc., corrects the one material weakness in internal control detailed on pages 12 to 15 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting

requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.